



City of Norfolk

Office of the City Manager

November 21, 2000

To The Honorable Council
City of Norfolk, Virginia

Dear Council Members:

The Comprehensive Annual Financial Report (CAFR) of the City of Norfolk for the fiscal year ended June 30, 2000 is submitted herewith. This report was prepared in compliance with Section 66 of the City Charter, which requires the preparation of an annual report at the end of each fiscal year.

The CAFR was prepared with an emphasis on the full disclosure of the financial activities of the City. Although this letter of transmittal is addressed to members of the legislative body, there is an awareness that the CAFR is also management's report to constituents, oversight bodies, resource providers, investors and creditors. The City of Norfolk has a tradition of compliance with legal statutes and conformity with the governmental accounting standards as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB), and the Auditor of Public Accounts of the Commonwealth of Virginia. This transmittal letter and the exhibits and statistical tables included in the CAFR, reflect this philosophy.

Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with City management. The information included in the CAFR is accurate in all material respects and is presented in a manner designed to fairly reflect the financial position and operating results of the City, as measured by the financial activity of its various funds and account groups. In addition to accurately portraying the financial position and results of operations of the City, the CAFR presents all of the information necessary for users, including taxpayers, to comprehend the nature and scope of the City's operations.

Organization of the CAFR

The CAFR is divided into four main sections:

An Introductory Section, which contains the table of contents, a list of municipal officials, an organization chart, this transmittal letter, and a reproduction of the Certificate of Achievement for Excellence in Financial Reporting.

The Financial Section begins with the independent auditor's report and includes the general purpose financial statements (GPFS) that provide an overview of the City's financial position and operating results, together with the notes to the financial statements, followed by combining statements and individual fund and account group statements and schedules.

The notes to the financial statements included in the GPFS are an integral part of the CAFR and should be read in conjunction with all of the financial statements for a complete understanding of the information being presented. The GPFS are considered “liftable” and may be issued separately from the CAFR, possibly for inclusion in official statements, bond offerings, or for distribution to users requiring less detailed information.

The Statistical Section consists of a number of tables that present various financial, economic, social and demographic data, which are generally presented on a multiyear basis and designed to assist the reader in understanding the City by highlighting trends in selected financial and demographic data during the past ten years.

Other Reports of Independent Auditor’s includes a report on internal accounting controls and a report on internal control used in administering federal awards and on compliance with laws and regulations.

To report in accordance with the principles prescribed by the Governmental Accounting Standards Board (GASB), it has been necessary to depart from the budgetary basis in some instances, particularly with respect to the education function. The General Fund Budget includes revenue from categorical aid for education purposes and appropriates funds for education. However, for reporting purposes, revenue and expenditures of the education function are presented separately in the School Operating Fund within the School Board component unit.

The City of Norfolk is required to undergo an annual single audit of federal awards in conformity with the provisions of the Single Audit Act Amendment of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Information related to this single audit, including the schedule of expenditures of federal awards, findings and recommendations, and the auditor’s reports on internal control and compliance with applicable laws and regulations, is included in the Other Reports of Independent Auditor’s.

The Financial Reporting Entity and Services

The City of Norfolk was established as a town in 1682, as a borough in 1736, and incorporated as a city in 1845. The City is the economic, business, educational and cultural center of Southeastern Virginia. It lies at the mouths of the James, Elizabeth and Nansemond Rivers and the Chesapeake Bay, and is adjacent to the cities of Chesapeake, Portsmouth, and Virginia Beach. There are 66 square miles included in the City's corporate boundary. The City's population is currently estimated to be 225,700.

The City is organized under a Charter, granted by the General Assembly of Virginia in 1918, which authorizes a council-manager form of government. The City Council exercises all of the governmental powers conferred upon the City and consists of seven members elected to office under a ward-based system, with two members elected from city-wide super wards.

The City Council elects a Mayor and Vice Mayor from among its members. Among the City officials appointed by the City Council is the City Manager, the administrative head of the municipal government. The City Manager carries out policies of the City Council, directs business procedures, and appoints, with the power to remove, the heads of departments and other employees of the City, except those otherwise specifically covered by statutory provisions.

This report includes all the funds and account groups of the City (primary government) and the component unit entities for which there exists a significant operational and/or financial relationship with the City. The existence of a significant operational and/or financial relationship was determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to influence operations and/or accountability for fiscal matters.

Accordingly, in addition to the various funds, account groups, and constitutional officer activities of the City (which includes the Norfolk Community Services Board), the financial statements of the following entities are included in this report as component units of the City's financial reporting entity:

Blended Component Unit:

The Employees' Retirement System of the City of Norfolk

Discretely Presented Component Units:

The School Board of the City of Norfolk

The Hospital Authority of Norfolk (d/b/a Lake Taylor Hospital)

The Norfolk Redevelopment and Housing Authority (NRHA)

The City and its component units provide a full range of services including: police protection, fire and paramedical services; health and social services; planning and zoning management; code enforcement; storm water management; street maintenance; traffic control; parks and cemeteries operation and maintenance; recreation and library services; solid waste disposal; general administrative services; elementary and secondary education; public health care; and, redevelopment and housing.

In addition, water and wastewater utilities and parking facilities services are provided under an enterprise fund concept with user charges set by City Council. Centralized storehouse and fleet management services are provided through internal service funds.

Cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently from a county government since they are located outside boundaries. There are no overlapping jurisdictions and consequently citizens of a Virginia city are not subject to overlapping debt or taxation.

MAJOR INITIATIVES

Legislative Initiatives

The City, not unlike other local governments in Virginia, receives significant support from state-shared revenues – mainly in the form of education and highway funds. As a result of this fiscal dependence, legislative activities of the Virginia General Assembly are carefully monitored.

The City, incorporation with other Virginia cities, counties and towns, is encouraging the Virginia General Assembly to review both its educational funding methodology and future tax sharing options in its legislative programs. The State's existing educational programs encourage the Virginia General Assembly to continue to fully fund the actual costs of the Standards of Quality Program and other categorical

educational mandates in the areas of special education, alternative education and gifted education. Also, in an effort to alleviate fiscal burdens currently experienced by local governments, the Virginia General Assembly is being encouraged by local governments to consider tax sharing opportunities which provide natural growth rates consistent with the economy.

Capital Improvement Initiatives

The City continues to be aggressive in its efforts aimed at stimulating economic growth. In fiscal year 2000, the City's Capital Improvement Program budget totaled approximately \$48 million. The program supports the prioritized capital investment objectives of the City Council and has served to revitalize downtown, enhance the overall quality of life for Norfolk residents and maintain the City's role as a regional leader. Additionally, the capital improvement program incorporates significant infrastructure activities, such as neighborhood enhancement, school construction, economic development projects, parks and recreation facilities improvements, and environmental compliance. Various citywide capital improvements are funded, including the upgrade and expansion of the water and wastewater utility, environmental storm water management and parking facility systems.

Other Initiatives

The school's budget continues to represent the largest spending area in the operating budget at 41.4% and reflects the recognition of Norfolk's continuing high priority for education. Additional funding from the state allows Norfolk Public Schools to structure and implement outreach activities and programs designed to touch the lives of "at risk children" by focusing efforts toward instilling discipline, reducing the dropout rate, and improving literacy.

The public health and safety of Norfolk citizens also remains a top priority for the City. Initiatives include merging the fire and paramedical services delivery system, continuing the successful police-assisted community enforcement (PACE) program, replacing the juvenile detention home, constructing a new public health facility, making capital improvements to the existing jail and forming a partnership with other localities in the area to develop a new regional jail. In 1998, a Problem Solving Schools was created by the departments of Health, Police and Human Services to find solutions to some of the City's most difficult neighborhood problems. All of these activities are aimed at improving overall public health and safety of the community, with increased involvement of the citizenry.

The City of Norfolk is undergoing an organizational restructuring to improve the quality of its service delivery system. Driving this process is the need to strengthen the health of Norfolk's neighborhoods, while continuing to provide the high quality, cost-effective service to residents. To accomplish this, and to build upon the successes of partnerships such as PACE, the Departments of Recreation, Parks and General Services, and Planning & Codes Administration, and the Office of Neighborhoods were reorganized into the Departments of Planning, Neighborhood & Leisure Services, and Facility & Enterprise Management, and are now structured to better focus on their particular missions. Additionally, the City Manager's office was reorganized, whereby Assistant City Manager assignments were realigned to be more externally-focused and accountable to the citizens of Norfolk and the Budget Office was reconfigured into a separate Office of Budget & Management reporting directly to the City Manager so as to be more service-oriented and responsive to city-wide needs.

Various other management initiatives have been undertaken with the objective of improving the efficiency and cost effectiveness of our service delivery systems. Among those ongoing during fiscal year 2000 were:

- An emphasis on the importance of strategic planning and budgeting, including the reassessment of City goals and objectives, the priority of city services delivered, and the establishment of specific measures of performance. This emphasis is the main thrust of the City Manager's Staffing and Organizational Redesign (SOR) initiative, the purpose of which is to identify the City's highest priority services, determine appropriate staffing levels, provide linkage between human resources and departmental performance results, avoid unnecessary personnel costs and facilitate continuous improvement throughout the organization.
- The systematic upgrade to and employment of advanced electronic information technology to automate, streamline and redesign operations and processes as a means of enhancing customer service, organizational productivity, and financial performance.
- A focus on continuous improvement and leadership development programs designed to promote a common vision of the City, a participatory style of leadership and management philosophy and an emphasis on people and values. This focus includes an introduction to and training on enhanced quality and continuous improvement utilizing the Baldrige National Quality Program—Criteria for Performance Excellence plus educational training and staff development to improve management/supervisory skills, enhance communications and instill important organizational values.
- The study, analysis and evaluation of the City's compensation and retirement plans were embarked upon to establish a more equitable, flexible and competitive structure for attracting and retaining the most qualified and highly skilled workforce.

Economic Conditions

Over the past year, the City has continued to maintain its position of fiscal soundness, which is attributable to effective management and the public administration policies of the City Council. Contributing factors included self-imposed restraints on expenditures and revenue enhancement through a diligent economic development program.

As was the case nationally, the City experienced modest growth in the tax base. Revenue from other local taxes increased during fiscal year 2000, largely reflecting the current national and state trend of consumer activity as well as the returns from prior capital investments approved by City Council to provide stimulation to the local economy. The relative stability of the local economy, together with expenditure restraint, has allowed the City to maintain its fund balance.

The City's economic development initiatives and strategies are focused on neighborhood and community revitalization, commercial corridor development and business cluster development. These initiatives provide a structure for development and redevelopment in various parts of the City.

Downtown Development

The downtown section of the City is a business hub for the region and offers a mix of cultural attractions

and entertainment for citizens and tourists. These attractions include Nauticus and Harbor Park which anchor the western and eastern boundaries of the City's downtown waterfront, respectively, MacArthur Center, the Opera House, Wells Theater, the Marriott Hotel and Conference Center, the downtown campus of Tidewater Community College and Waterside.

The opening of MacArthur Center, an upscale regional mall anchored by Nordstrom and Dillard's, has enhanced the City's tax base, increased tax revenue in many key areas and generated momentum for retail enterprises throughout downtown Norfolk. MacArthur Center, which opened on March 12, 1999, is currently 90% leased and reported sales in excess of \$350 per square foot. Tax revenue associated with the center in Fiscal Year 2000 exceeded \$9.1 million.

The Norfolk Tidewater Community College (TCC) campus was constructed on Granby Street with three main buildings. Phase Two of the downtown campus project involves an \$8.8 million renovation of the four-story Loew's Theater, which is nearing completion.

The Granby Street area continues its revitalized into an urban mix of residential, office and retail space. Local commercial real estate brokers and investors are buying property on Granby and investing in the renovation and marketing of the properties as retail with office and residential loft uses. The area is developing a cluster of eating establishments with 20 new establishments including delicatessens, a coffeehouse, mid-priced local and business people's places, fine restaurants and national franchises. Office space has also been renovated and leased or purchased with newcomers including Trader Publications, Glasser & Glasser, PLC, and Landmark Communication.

The National Maritime Center (Nauticus), an interactive maritime education center, anchors the western end of the downtown waterfront. The City has received approval from the U.S. Navy to berth the USS Wisconsin, the last-built and largest of the WWII-era battleships, at a site adjacent to Nauticus. The ship is expected to be towed to its new berth in December 2000.

Another downtown attraction is Harbor Park, a waterfront stadium, which was built for the City's "AAA" baseball team, the Norfolk Tides. The stadium opened in April 1993, and is a state-of-the-art facility seating 12,000 and featuring 22 luxury boxes. An agreement with the parent baseball club provides for guaranteed annual lease payments and revenues to the City which equal the debt service payments over the 20 year lease. Attendance for the 2000 baseball season was 467,600.

The Waterside Festival Marketplace (Waterside), which opened in 1983, is repositioning from a retail establishment to a dining and entertainment establishment to complement MacArthur Center. Waterside has attracted various national chains, as well as local and regional chains.

The 120,000 square foot Waterside Convention Center and 407-room Marriott Hotel have generated an increase in tourism in the City and visitors to the downtown area. The Marriott and the adjoining Conference Center has augmented both the convention and visitor markets throughout the City.

The Downtown Norfolk Business Improvement District (BID) was created by downtown property owners in February 1999. The BID is funded through a \$0.20 per \$100 assessed value tax increment on properties located in the central business district. The goal of the BID is to enhance visitation and, ultimately, enhance the value and attractiveness of the downtown area as a location for businesses and their customers.

The current supplemental services provided by the BID include a sidewalk Ambassadors program, enhanced cleaning services, and supplemental downtown marketing and promotion efforts.

OpSail 2000 was held in Hampton Roads June 16 – 20, 2000. Hampton Roads was selected to participate as one of only seven official ports in the country to host the OpSail 2000 fleet on its historic millennium voyage. As expected, more than 150 tall ships, character vessels and military craft from around the world participated. It is estimated that more than 2 million visitors attended OpSail 2000 in Hampton Roads.

The City is constructing an 836 space municipal parking garage situated on the northeast corner of the intersection of Main Street and Boush Street financed by parking system revenue bonds. In addition, a ten story class “A” office tower is being constructed by a private developer above the parking garage. 652 of the parking spaces will be made available to tenants of the office tower and their employees. The garage is currently under construction and is expected to be completed in the fall of 2001.

Hotel Development

Hotel occupancy rates remain at approximately 70%. A \$14 million private investment will result in a 140-room Marriott Courtyard in downtown Norfolk. In addition, four downtown hotels have invested \$39 million in renovations including the Sheraton, Radisson, James Madison and Hawthorn Hotel & Suites, adding 335 rooms and creating 300 new jobs.

In addition, the Lake Wright Executive Center, along Military Highway, a 146-room Holiday Inn & Suites is scheduled to open in the winter of 2000. The Lake Wright Executive Center currently houses USAA, TWA and Twin Oaks I, a 90,000 square foot Class “A” office building, which opened in April 1999 and is 87% leased. Twin Oaks II, an identical building, is expected to break ground in the fall of 2000. Another addition to this complex, the Lake Wright Resort and Convention Center is a \$15 million private investment that includes a Sleep Inn and Quality Suites hotel and conference hall.

Neighborhood and Community Revitalization

One of the City’s core values, and part of the economic development plan, is neighborhood revitalization. By increasing the diversity of housing opportunities, the City expects to increase the diversity of its citizenry and expand the tax base. The City’s goal for neighborhood and commercial development is to provide an environment that will increase private sector investment, retail sales generation and corresponding municipal revenue generation; create a framework for targeted and coordinated public and private investment; and, build upon and coordinate with other ongoing community development initiatives. Recent efforts to achieve these goals are described below.

The Old Dominion University Campus Master Plan and Hampton Boulevard Redevelopment Project calls for the creation of a "University Village" on 67 acres across from the University. This project includes construction of a 10,000 seat Convocation Center, development of a shopping center and the replacement of 400 – 450 existing rental units with 600 new, affordable student apartments.

The City continues the redevelopment of East Ocean View, another neighborhood revitalization project. A six year, \$4 million a year capital improvement investment will clear this waterfront area on the Chesapeake Bay for the development of new homes. To accelerate the purchase of private property, NRHA

has secured a private \$9 million loan and is in the process of soliciting a private master developer/partner. Over the past decade, numerous townhouse and condominium projects have been completed in this once underdeveloped area.

Along the downtown riverfront, development continues in the Freemason Harbour area, an 8-acre, \$30 million residential and commercial development marketed as The Heritage at Freemason Harbour. The development includes 180 luxury apartment units, townhouses, condominiums, office and retail space and a restaurant. In January 2000, construction began on the Pier Point development in the Freemason area. Once complete, Pier Point is expected to include 72 luxury condominiums with values ranging from \$200,000 to \$500,000.

There have been many neighborhood improvements that have enhanced the quality of life and provided convenience for Norfolk residents. Examples of these improvements can be seen in the opening of the newly formed Berkley Credit Union, whose primary function is to provide low interest rate loans to low income citizens and small businesses in the urban neighborhoods of Norfolk, Chesapeake, and Portsmouth, which is traditionally an under-served segment of the local market. New and renovated grocery stores provide convenience to Norfolk's neighborhoods. Recently, eight grocery stores in the City have opened, undergone renovation or announced their intention to do so.

Lafayette Park, site of the Virginia Zoological Park, comprises 53 acres in the heart of Norfolk and celebrated its 100th year anniversary in 1999. In 1974 the park's animal area was fenced separately and the zoo was accredited in 1987. The Virginia Zoological Society in November 1996 initiated a campaign to raise capital from the private sector for an expansion which will divide the zoo into five of the world's continents: Africa, Asia, North America, Australia and South America. Together with matching funds from the City, the money is being used to construct the African-continent section of the zoo. The first phase of the African-continent section of the zoo, which includes the new Baboon Exhibit and the African Village, opened July 1999.

Business, Industry and Commerce

The commercial corridor revitalization continues outside the City's downtown in the City's various industrial and office parks offering more than 800 acres. Ninety-five percent of the developable acreage has been sold in the Norfolk Commerce Park housing approximately 150 firms with an estimated 3,000 employees. The City-owned Norfolk Industrial Park is located east of the downtown area on 375 acres containing approximately 120 firms with an estimated 6,000 employees. Recent activity in other commercial corridors is presented below.

The Virginia Department of Transportation recently completed a \$85 million major highway widening in the Military circle area. In this same area, Military Circle Mall completed a \$20 million renovation. This renovation includes the addition of Sears as a new anchor department store and the expansion of existing retail and entertainment establishments.

The City purchased a 31-acre tract of land and rezoned the property from multi-family to Business/Commercial. This purchase and rezoning is expected to attract development of approximately 325,000 square feet of flex space. The property is strategically located in close proximity to major arterial roadways and the port facilities.

Development of the Riverside Commerce Park is currently underway. This 70,000 square foot single-story suburban style office development is located on Military Highway and is financed through a private investment of \$5.3 million. The Commerce Park is currently more than 85% pre-leased.

In early 1999, Norfolk Southern expanded their corporate headquarters in Norfolk. To solidify their commitment to remaining in Norfolk, they purchased and began renovations on the building they currently occupy in the City's downtown. As a result of Norfolk Southern's expanded rail system, Norfolk Southern added 160 executive positions and ultimately intends to add 330 additional positions to its Norfolk offices. The City built a \$14.9 million parking facility to service both public and Norfolk Southern parking needs. The cost of the parking facility included a \$3 million grant provided by the Commonwealth of Virginia.

Military

The presence and role of the military in Norfolk has a significant impact on the local economy and remains a positive force. The City has steadily has grown to be and remains the home of the world's largest naval complex, with headquarters for Commander in Chief of U.S. Atlantic Command, NATO's Supreme Allied Command Atlantic, Commander in Chief U.S. Atlantic Fleet and other major naval commands. Although the military remains a key part of Hampton Roads' economy, the region has successfully diversified its economy in recent years.

The Navy's direct economic impact on the region was \$7.5 billion in 1999, which was comprised of a total annual payroll of \$5.1 billion and spending on goods and services of \$2.4 billion. The City expects to continue as a center of activity for the U.S. Navy with current total personnel (uniform, civil service and retired) and family members in excess of 280,000. Active-duty Navy personnel in Hampton Roads fell less than 1% to 81,051 in 1999, of which 67% are assigned to Norfolk.

Hampton Roads is the largest center of Coast Guard operations in the world with the Atlantic Area Command and Maritime Defense Zone Atlantic in Portsmouth and its Maintenance & Logistic Command Atlantic headquarters in downtown Norfolk. This consolidation increased U.S. Coast Guard personnel in Hampton Roads to more than 1,000 civilian and military employees in the region.

Hampton Roads Port Activity

The Port of Hampton Roads, one of the world's largest natural deep water harbors, is a significant factor in Norfolk's economy. Norfolk is ideally situated for international commerce in the middle of the U. S. Atlantic coast and serves as a gateway between the world and the industrial heartland of the United States. This has contributed to impressive growth in the port industry. The Port of Hampton Roads, which comprises most of Virginia's state-owned port system, continued its growth in 1999. Hampton Roads currently is the second largest general cargo port on the U.S. East Coast. More than 11.8 million tons of cargo were shipped across the docks at the region's five marine cargo terminals in 1999, marking the sixth consecutive year the Port of Hampton Roads has handled a record amount of general cargo. The cargo volumes grew 5.4% from 1998's volume by more than 11.2 million tons.

Over the last decade, the Port of Hampton Roads (the Port) has been the top port in the country in terms of total exports, which is primarily attributable to the volume of coal moving through the Port. The Port supplies much of the coal to meet Asian and European demands for a cleaner burning fuel than can be obtained through many European, African and Australian sources. The Port of Hampton Roads continues to

be one of the top ports in the country in total foreign water borne commerce, trading with more than 100 nations. The Lambert's Point docks in Norfolk are the site of this mass export. At these docks, the Norfolk Southern Railroad, with the largest coal loading facility in the world, supplies one of the necessary ground transportation links to the Port.

More than 75 shipping lines regularly call on the Port from as far away as the Far East, Africa, Australia and Iceland. In addition to coal, numerous other commodities flow through the region. Some of the exports leaving the Port are paper and lumber products, manufactured tobacco, plastics and poultry. Additionally, ships coming in bring cargo such as natural rubber, auto parts, alcoholic beverages, iron, steel, paper products and unmanufactured tobacco.

The Virginia Port Authority (VPA) expects to move 16 million tons of general cargo by 2010. To prepare for that volume growth, the VPA is doubling the size of Norfolk International Terminals making it the largest intermodal cargo facility on the East Coast. In addition, the railyard, with direct connection to Norfolk Southern Railroad, will be realigned for greater efficiency.

Medical Facilities

There are, within the City of Norfolk, a total of five general, acute care and specialized hospitals with a combined licensed bed total in excess of 1,750.

The City is home to the Eastern Virginia Medical Center which includes Sentara Norfolk General Hospital, The Children's Hospital of The King's Daughters, and Bon Secours DePaul Medical Center, as well as the Eastern Virginia Medical School (EVMS).

The Children's Hospital is the only freestanding pediatric hospital within a 100-mile radius of Norfolk. The Norfolk facility includes the state's only children's emergency center. It is a neuro-developmental center that coordinates care from a variety of disciplines, including craniofacial reconstruction, developmental pediatrics, neurology, and rehabilitation. Specialized services include neonatal and pediatric intensive care, heart transplants, urological reconstructive surgery, and cancer treatment.

Bon Secours DePaul Hospital Center is an acute care and teaching hospital in Norfolk. Services include obstetrics, oncology, MRI, inpatient and outpatient rehabilitation, home care, and geriatrics.

Sentara Norfolk General Hospital provides the region's only Level 1 Trauma Center and air ambulance. The hospital's heart pavilion has been regionally and nationally recognized as a nationwide center of excellence for cardiac surgery, cardiac catheterization, angioplasty and electrophysiology services.

Lake Taylor Hospital is the region's largest combined subacute-care hospital and nursing facility. In addition to offering comprehensive short-term care, it offers the region's only long-term care facilities. Its nursing facility has both skilled and intermediate care in a setting that includes on-site clinics and diagnostic services.

Sentara Leigh Hospital is known for its institute of Video Surgery, offering new techniques for general, urological, gynecological, and orthopedic surgeries.

Higher Education

The City is home to several institutions of higher learning. Old Dominion University (ODU) was founded in 1930 in Norfolk as a branch of the College of William and Mary and became an independent institution in 1962. The four-year, state-supported university also has academic centers in Hampton, Virginia Beach and Portsmouth, and the 1998-1999 full and part-time enrollment was approximately 18,500 students. It is a national leader in oceanography, nuclear physics, mechanical engineering, and distance learning.

Founded in 1935, Norfolk State University (NSU) is Virginia's largest, and one of the country's five largest historically black institutions of higher learning. The state-supported university has educational centers in Virginia Beach and Portsmouth. The 1998-1999 full and part-time enrollment was approximately 7,100 students.

Virginia Wesleyan College was founded in 1966 and is a private, coeducational, four-year liberal arts college on the Norfolk-Virginia Beach line. The college has an adult studies program geared toward working adults returning to school. There were approximately 1,400 students enrolled full and part-time in the 1998-1999 academic year.

Tidewater Community College (TCC) was established in 1968 with campuses in Virginia Beach, Chesapeake and Portsmouth. It opened its Norfolk center in November 1990. The state-supported school offers its programs through its network of convenient Hampton Roads locations, including strategically placed off-campus sites at area high schools, hospitals, and military bases. It provides Hampton Roads residents with a flexible, convenient and practical educational resource. The College grants associate degrees, certificates, and diplomas in more than 130 areas to meet the educational and technical training needs of students ranging from recent high school graduates to business, industry and government workers, and senior citizens. TCC offers higher education to Norfolk citizens currently not served by Old Dominion and Norfolk State Universities and will link them with the job market.

Eastern Virginia Medical School is one of three medical schools in Virginia and is Hampton Roads' first medical school. This Norfolk-based facility is governed by the Medical College of Hampton Roads. Students use 20 area hospitals and clinics for practical training. The school relies on private funding, support from area cities and limited state support to fulfill its mission. Affiliates include the Jones Institute for Reproductive Medicine, the Leonard R. Strelitz Diabetes Institutes, the Center for Pediatric Research, and the Virginia Prostate Center. Not only has EVMS made it possible for area residents to obtain treatment locally, it has achieved a reputation which brings patients for services in such areas as endocrinology, geriatrics, genetics, pediatrics, oncology, otolaryngology and reproductive medicine and infertility from other areas of the country. The Jones Institute for Reproductive Medicine was the first in-vitro fertilization clinic in the United States. Currently, EVMS is halfway through a \$62 million capital campaign that will create centers for biomedical research; general medical education and information technology; and aging and human development. EVMS has forged cooperative educational and research programs with Norfolk State University and Old Dominion University, plus the College of William and Mary in Williamsburg, Virginia, partnerships which EVMS officials consider among its most distinctive characteristics. The Medical School's full-time enrollment was 616 for the 1999-2000 academic year.

FINANCIAL INFORMATION

The City Manager, under the direction of City Council, is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of the control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of Commonwealth and federal awards, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. Internal control is subject to periodic evaluation by management and internal audit, and is reviewed by independent auditors as part of the City's annual audit under the single audit concept.

As a part of the City's single audit, tests are made to determine the adequacy of internal control, including that portion related to federal awards, and to determine that the City has complied with applicable laws and regulations. The results of the single audit for the fiscal year ended June 30, 2000 provided no instances of material weaknesses in internal controls, with the exception of a finding for the school component unit, or significant violations of applicable laws and regulations.

Budgetary controls are maintained to ensure compliance with legal provisions embodied in the annual budgets approved by City Council. Activities of the General Fund, Debt Service Fund, School General Fund, Environmental Storm Water Management (Special Revenue) Fund, enterprise funds and internal service funds are included in the annual budget appropriation. The level of budgetary control is at the departmental level, with additional appropriation and line item controls exercised administratively. Purchase order and encumbrance accounting systems are maintained as techniques for accomplishing budgetary control. Any unencumbered amounts lapse and become available for reappropriation at year-end. Project budgets are adopted for the Grants Fund, Community Development Fund and the Capital Projects Fund. Appropriations for these budgets are multiyear and do not lapse at year-end, but continue until the purpose of the appropriation has been fulfilled.

As demonstrated by the statements and schedules included in the financial section of this report, the government continues to meet its responsibility for sound financial management.

GENERAL GOVERNMENTAL FUNCTIONS

The term general governmental functions include financial transactions which are separately reported in the General Fund, the Debt Service Fund, and the School General Fund. The School General Fund has been included with general governmental functions since the City levies taxes for its operation, issues bonds and enters into capital leases for its capital requirements, and approves its annual operating budget. Under generally accepted accounting principles these three funds are not reported as a single entity. For informational purposes, tabulations which present consolidated revenue and expenditures for these three funds are presented under the captions "General Governmental Revenue and Other Financing Sources" and "General Governmental Expenditures and Other Financing Uses."

GENERAL GOVERNMENTAL REVENUE AND OTHER FINANCING SOURCES (GAAP BASIS)

General governmental revenue and other financing sources include the City's General Fund and School General Fund. Revenue, operating transfers in and other financing sources for general governmental operations increased from fiscal year 1999 by approximately \$38.1 million to \$576.4 million, an increase of 7.1 percent.

The revenue from all general governmental sources, the relationship of each to the total, and the changes from the previous year, are as follows:

<u>Source</u>	<u>2000 Amount</u>	<u>1999 Amount</u>	<u>Percent of 2000 Total</u>	<u>Increase (Decrease) from 1999</u>
General property taxes	\$ 152,061,598	\$ 147,831,366	26.4 %	\$ 4,230,232
Other local taxes	119,106,596	111,212,019	20.7	7,894,577
Permits, privilege fees and regulatory licenses	2,942,853	2,505,284	0.5	437,569
Fines and forfeitures	1,660,692	1,919,987	0.3	(259,295)
Use of money and property	9,581,176	8,991,816	1.7	589,360
Charges for services	13,163,379	13,865,238	2.3	(701,859)
Miscellaneous	4,490,174	7,291,274	0.8	(2,801,100)
Recovered costs	12,337,518	11,139,044	2.1	1,198,474
Intergovernmental revenue	245,158,349	219,871,543	42.4	25,286,806
	560,502,335	524,627,571	97.2	35,874,764
Other financing sources:				
Proceeds from sale of assets	70,212	113,315	0.0	(43,103)
Proceeds from capital leases	4,975,018	2,938,045	0.9	2,036,973
Operating transfers in	<u>10,877,730</u>	<u>10,616,117</u>	<u>1.9</u>	<u>261,613</u>
	<u>\$ 576,425,295</u>	<u>\$ 538,295,048</u>	<u>100.0 %</u>	<u>\$ 38,130,247</u>

Intergovernmental revenue from the Commonwealth and Federal government collectively constitutes 42.4 percent of total revenue, the largest source of revenue, and increased \$25.3 million over the previous year.

General property taxes, the second largest source of revenue, represented 26.4 percent of total revenue. These taxes, which include real and personal property levies, increased \$4.2 million over the previous fiscal year as a result of increased assessments.

Other local taxes are the third largest source of revenue. This category, which represents 20.7 percent of total revenue, includes taxes on such items as local sales and use, consumers' utility, business license, motor vehicle license, cigarette, hotel and motel room, and restaurant food, and increased by \$7.9 million over last year.

Recovered costs, consists primarily of city employee hospitalization contributions, debt service recoveries, and administrative cost recoveries, which represents 2.1 percent of total revenue and increased by \$1.2 million from last year.

Miscellaneous revenue decreased by \$2.8 million due to a reduction in airport rental income.

Proceeds from capital leases increased by \$2 million from the previous year due to increased lease-purchase financing activity.

Operating transfers in do not include \$47.1 million of transfers received by the Debt Service Fund from the General Fund in the general governmental function.

GENERAL GOVERNMENTAL EXPENDITURES AND OTHER FINANCING USES (GAAP BASIS)

General governmental expenditures and other financing uses include the City's General Fund, Debt Service Fund and School General Fund, which are the funds for which City Council adopts annual operating budgets. Expenditures and operating transfers out for general governmental purposes approximated \$567 million, which represents an increase of \$39.2 million, or 7.4 percent over fiscal year 1999.

The expenditures for all general governmental functions, the relationship of each to the total, and the changes from the previous year, are as follows:

<u>Function</u>	2000 <u>Amount</u>	1999 <u>Amount</u>	Percent of 2000 <u>Total</u>	Increase (Decrease) <u>from 1999</u>
General government administration	\$ 23,825,965	\$ 21,509,306	4.2 %	\$ 2,316,659
Judicial administration	7,973,128	7,391,037	1.4	582,091
Public safety	91,929,625	89,995,173	16.2	1,934,452
Public works	30,611,202	28,876,783	5.4	1,734,419
Health and public assistance	44,310,724	40,489,774	7.8	3,820,950
Education	235,275,491	215,462,984	41.5	19,812,507
Parks, recreation and cultural enrichment	40,505,916	39,324,139	7.2	1,181,777
Community development	20,348,088	16,539,497	3.6	3,808,591
General services	15,260,708	13,924,765	2.7	1,335,943
Debt service	48,398,339	45,684,622	8.5	2,713,717
	558,439,186	519,198,080	98.5	39,241,106
Other financing uses:				
Operating transfers out	8,432,676	8,520,764	1.5	(88,088)
	<u>\$ 566,871,862</u>	<u>\$ 527,718,844</u>	<u>100.0</u>	<u>\$ 39,153,018</u>

Education expenditures, representing 41.5% of total 2000 expenditures, increased by \$19.8 million from 1999, due to additional local and state funding, resulting in additional spending on local education initiatives.

The \$1.2 million increase in parks, recreation and cultural enrichment expenditures is due primarily to increases provided for expansion and promotion of library and cultural attractions as well as additional funding for facilities maintenance.

Public safety expenditures increased by \$1.9 million, which represents 16.2% of total expenditures, due to continued vigilance for the safety and well being of City residents, including expansions of the public safety budgets.

Public works expenditures increased by \$1.7 million, reflecting the continued expansion of neighborhood services.

The \$3.8 million increase in community development expenditures is reflective of the City's commitment, in a cooperative agreement with the Norfolk Redevelopment and Housing Authority, to revitalize downtown and various neighborhoods.

The \$3.8 million increase in City expenditures for health and public assistance reflects the continued growth of public assistance programs administered by the City.

General government administration expenditures, despite expanded budgets for fiscal year 2000, increased by \$2.3 million, as the City remains focused on continuing efforts to improve efficiency, utilizing process improvement and automation.

Debt service expenditures increased by \$2.7 million due to an increase in general obligation bonds issued in fiscal year 1999.

General services expenditures increased by \$1.3 million due to the increased cost of risk management.

Operating transfers out do not include \$47.1 million of transfers to the Debt Service fund made from the General Fund in the general governmental function.

A summary of General Fund activity on a (Non-GAAP) budgetary basis is as follows:

	Original Budget	Final Budget	Actual	Variance (Unfavorable) Favorable
Total revenue and other financing sources	\$ 565,554,810	\$ 566,760,935	\$ 573,900,316	\$ 7,139,381
Total expenditures and other financing uses	565,554,810	569,910,935	556,895,368	13,015,567
Revenue and other financing sources greater (less) than expenditures and other financing uses	\$ -	\$ (3,150,000)	\$ 17,004,948	\$ 20,154,948

ENTERPRISE FUNDS

The Water Utility Fund was established in fiscal year 1980 to account for the operations of the City-owned water system.

The Wastewater Utility Fund (formerly the Sewer Utility Fund) was established in fiscal year 1984 to account for the operations of the City-owned wastewater (sewer) system.

The Parking Facilities Fund was established in fiscal year 1990 to account for the operations of City-owned parking facilities.

Financial information on these funds is as follows:

Water Utility Fund

The Water Utility Fund showed a decrease in operating revenue of \$9.8 million and a corresponding decrease in operating income of \$14.4 million. Comparative data for the past two fiscal years are presented as follows:

	2000 <u>Amount</u>	1999 <u>Amount</u>
Operating revenue	\$ <u>61,879,482</u>	\$ <u>71,648,677</u>
Operating income	<u>24,211,214</u>	<u>38,639,836</u>
<u>Income available for revenue bond debt service:</u>		
Operating income and interest revenue not capitalized	26,788,054	40,317,841
Add: Depreciation and amortization	9,470,024	6,941,816
	<u>36,258,078</u>	<u>47,259,657</u>
Revenue bonds - annual debt service requirement	\$ <u>18,091,718</u>	\$ <u>14,438,930</u>
Coverage (income available for debt service divided by annual debt service) - revenue bonds	<u>2.00</u>	<u>3.27</u>

During the year, \$4,475,000 of matured revenue bonds and \$7,355,679 of matured general obligation bonds, serviced with the earnings of the Water Utility Fund, were retired. The City also issued approximately \$23 million of water revenue bond anticipation notes in fiscal year 2000.

The rate setting and debt covenants for these revenue bonds require a debt service coverage ratio of 1.10. The debt coverage ratio for fiscal year 2000 reflects compliance with this requirement and demonstrates the realization of City Council's policy commitment for a fiscally sound water system.

Wastewater Utility Fund

The Wastewater Utility Fund showed an increase in operating revenue of \$0.4 million and operating income remained level. Comparative data for the past two fiscal years are presented as follows:

	2000 <u>Amount</u>	1999 <u>Amount</u>
Operating revenue	\$ <u>12,677,081</u>	\$ <u>12,288,228</u>
Operating income	<u>\$ 5,567,387</u>	<u>\$ 5,636,048</u>

During the year, \$3,549,495 of matured general obligation bonds, serviced with the earnings of the Wastewater Utility Fund, were retired. Wastewater revenue bonds have not been issued by the City.

Parking Facilities Fund

The Parking Facilities Fund showed an increase in operating revenue of over \$3 million and an increase in operating income of \$0.8 million. Comparative data for the past two fiscal years are presented as follows:

	2000 Amount	1999 Amount
Operating revenue	\$ 15,449,410	\$ 12,401,936
Operating income	\$ 7,161,821	\$ 6,343,165
<u>Income available for Revenue bond debt service:</u>		
Operating income and interest revenue not capitalized	\$ 7,533,386	\$ 6,572,300
Add: Depreciation and amortization	2,791,924	1,868,356
	<u>\$ 10,325,310</u>	<u>\$ 8,440,656</u>
Revenue bonds - annual debt services requirement	\$ 4,621,053	\$ 2,888,783
Coverage (income available for debt service divided by annual debt service) - Revenue bonds	<u>2.23</u>	<u>2.92</u>

During the year, \$935,000 of matured revenue bonds and \$2,755,623 of matured general obligation bonds, serviced with earnings of the Parking Facilities Fund, were retired.

The rate setting and debt covenants for these revenue bonds require a debt service coverage ratio of 1.25. The debt coverage ratio for fiscal year 2000 reflects compliance with this requirement and demonstrates the realization of City Council's policy commitment for a fiscally sound parking facilities system.

DEBT ADMINISTRATION

The ratio of general obligation debt to total assessed value of taxable property and the amount of bonded debt per capita are useful indicators of the City's debt position.

Outstanding general obligation bonds, net of bond discount, at June 30, 2000, totaled \$485,936,224, of which \$125,591,921 was related to enterprise fund projects to be paid from the revenue of the respective enterprise funds and are reported as liabilities in these funds. The balance of \$360,344,303 was for general capital improvement projects, which is considered to be net direct tax-supported debt.

Net bonded debt per capita at June 30, 2000 was \$1,597.

During fiscal year 2000, \$45,153,461 of matured serial bonds were retired. Of this amount, \$31,492,664 was related to general capital improvement projects and \$13,660,797 was related to enterprise fund projects. Additionally, bonds and bond anticipation notes issued during fiscal year 2000 totaled \$47,700,000, of which \$24,700,000 was for general capital improvement projects and \$23,000,000 was for water utility projects.

Although not a measure of affordability, it is worthy to note that while the City's legal debt limit is \$809,811,317, the amount of gross debt applicable to the debt limit is \$491,197,246 (Table VII) or 60.66 percent. The legal debt margin, or the margin for creation of additional debt, is \$318,614,071. The legal debt margin represents the amount of additional indebtedness which could be incurred without exceeding the debt limit established by law and is in addition to any bonds that may be approved by popular vote, to which the legal limit does not apply. The legal debt limit is based on 10 percent of the assessed value of taxable real property in accordance with Section 10 of Article 7, Constitution of the Commonwealth of Virginia.

The outstanding bonded debt is detailed in Note IX, General Long-Term Obligations, of the notes to financial statements. Tables VII, VIII, and IX in the Statistical Section of this report present more detailed information about the debt position of the City.

The City's public debt is maintained at realistic levels in relation to its community needs and financial capacity to service debt and continues to have high credit ratings. The water and parking revenue bonds include purchased credit enhancements. The City's bond ratings are as follows:

	Moody's <u>Investors Service</u>	<u>Standard & Poor's</u>	<u>Fitch</u>
General obligation bonds	A1	AA	N/A
Water revenue bonds	Aaa	AAA	N/A
Parking revenue bonds:			
Series 1997, 1999, and 2000B	Aaa	AAA	N/A
Series 2000A	Aa1/VMIG1	N/A	AA/F1+

The City has minimum lease payments for obligations under capital leases totaling \$11,853,858 for office space improvements financed by a long-term lease (20 years), and reprographics, computer software and hardware, automotive maintenance, solid waste automation and other heavy equipment financed through lease-purchase agreements for up to five years. These transactions are discussed in Note IX, Capital Leases, of the notes to the financial statements. The City employs a policy for identifying and determining the specific circumstances whereby lease-purchase financing would be utilized for equipment acquisition.

CASH MANAGEMENT - GENERAL GOVERNMENT

Interest bearing bank deposits and investments of daily cash balances at June 30, 2000, totaled \$143,188,376. The average yield on maturing investments during the year was 5.8 percent and interest earned, net of amounts capitalized for capital projects was \$6,554,269.

Interest earned on investments, net of amounts capitalized, in the various funds is as follows:

Primary Government	
General Fund	\$ 1,556,078
Grants Fund	459,967
Storm Water Fund	95,289
Capital Projects Fund	1,425,522
Water Utility Fund	2,154,878
Wastewater Utility Fund	151,724
Parking Fund	295,968
Storehouse Fund	15,553
Fleet Management Fund	93,214
Expendable Trust Fund	5,769
Nonexpendable Trust Fund	300,307
Total Primary Government	<u><u>6,554,269</u></u>

The effectiveness of the City's cash management program for corporate funds is evidenced by the fact that 100 percent of available cash resources was productively invested during the year. Cash temporarily idle during the year was invested primarily in certificates of deposit and repurchase agreements.

CASH MANAGEMENT - EMPLOYEES' RETIREMENT SYSTEM

Cash management of the Employees' Retirement System is handled as a two-step process by the System's trustees. The Executive Secretary initially invests available funds by using the bank's sweep process of investing idle funds in repurchase agreements on a day-by-day basis. When a sufficient amount is accumulated, it is made available to the System's professional money managers as directed by the trustees.

Funds made available to the money managers are invested under policy guidelines established by the trustees. Interest and dividends earned during the fiscal year totaled \$26,318,216.

SPECIAL REVENUE FUNDS

During fiscal year 2000 total revenue and other financing sources for the special revenue funds totaled approximately \$64.8 million. Expenditures and other financing uses also totaled approximately \$65.2 million. Summarized financial data and information about the individual special revenue funds follows:

	<u>Revenue and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Storm Water Fund	\$ 7,322,987	\$ 7,703,063
Grants Fund	51,343,823	51,343,823
Community Development Fund	<u>6,119,894</u>	<u>6,119,894</u>
	<u>\$64,786,704</u>	<u>\$65,166,780</u>

The above funds account for certain revenue received from federal and Commonwealth agencies plus City monies in the form of direct appropriations or matching funds, as well as certain other specialized sources of funding, such as environmental storm water management fees. The funds are used for special and designated programs and projects.

The Grants Fund and Community Development Fund have continuing appropriations, which means that expenditures during the fiscal year 2000 may have been against appropriations of the current or earlier fiscal years. Because of the nature of these funds, any amounts reported in the fund balance sections of the balance sheets do not represent monies appropriable for general operations by City Council. A description of the individual funds that comprise the special revenue funds is presented in Note 1, Summary of Significant Accounting Policies, of the notes to financial statements.

The Storm Water Fund was established in 1992 to account for the maintenance of an environmental storm water management system. This fund was converted as of July 1, 1994 from an enterprise (proprietary) fund into a special revenue (governmental) fund.

SCHOOL BOARD

Because the School General Fund is included in general governmental functions (presented as part of the School Board component unit), and to respond to public interest in School Board activities, certain details relating to revenue and expenditures of the fund are presented as follows:

	2000 <u>Amount</u>	1999 <u>Amount</u>	<u>Increase/decrease</u>
Revenue:			
From the Commonwealth	\$ 147,668,555	\$ 136,434,305	\$ 11,234,250
From the federal government	5,582,317	4,869,339	712,978
Other	2,889,654	3,571,624	(681,970)
	156,140,526	144,875,268	11,265,258
Operating transfers in	79,032,544	78,044,433	988,111
	<u>\$ 235,173,070</u>	<u>\$ 222,919,701</u>	<u>\$ 12,253,369</u>
Expenditures for education	<u>\$ 235,275,491</u>	<u>\$ 215,462,984</u>	<u>\$ 19,812,507</u>

Operating transfers in are the local portion of the Norfolk Public Schools' budget.

CAPITAL PROJECTS FUND

Proceeds of general obligation bond issues and other resources used for acquisition of capital facilities are accounted for in the Capital Projects Fund until improvement projects are completed. Completed projects and construction in progress at year-end are capitalized in the General Fixed Assets Account Group. During 2000, projects totaling \$22,655,733 were completed.

During fiscal year 2000, appropriations authorized for general capital improvement projects were \$26,950,000. Expenditures for these projects and those authorized in prior years were \$17,911,556.

INTERNAL SERVICE FUNDS

Internal service funds account for goods or services provided by certain designated agencies of the City to other agencies within the City on a cost-reimbursement basis. Net loss for the internal service funds was \$408,578 in fiscal year 2000 compared to net income of \$392,194 in fiscal year 1999.

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the City as a trustee, as a custodian or in a fiduciary capacity, and include the following:

- Expendable Trust Fund
- Nonexpendable Trust Fund
- Pension Trust Fund (Employees' Retirement System)
- Agency Fund - Payroll Withholdings
- Agency Fund - Other
- Agency Fund - Commonwealth of Virginia

The agency fund for the School Board is presented as part of the School Board component unit.

Because of the nature of these funds, any amounts reported in the fund balance sections of the balance sheets do not represent monies appropriable by City Council. A description of these funds is presented in Note I, Summary of Significant Accounting Policies, of the notes to the financial statements.

GENERAL FIXED ASSETS

The general fixed assets of the City are those used in the performance of general governmental functions and exclude the fixed assets of enterprise and internal service funds. On June 30, 2000, the general fixed assets of the City amounted to \$591,266,570. Infrastructure is not subject to capitalization and depreciation of general fixed assets is not recognized in the City's accounting system. The City's capitalization policy generally requires capitalization of all fixed assets, other than infrastructure, with a cost of \$1,000 or greater.

RISK MANAGEMENT PROGRAM

A partially self-insured risk management program was established pursuant to an ordinance adopted by City Council on July 11, 1978. The program includes an identified retention which reflects the liability the City is willing to assume based on past loss experience. The program includes general liability, health and dental insurance for employees, volunteers and appointed officials; vehicle liability for employees and appointed officials; workers' compensation; and unemployment compensation. Protection is also provided by surety bonds, purchased property insurance, professional liability insurance for paramedics, casualty coverage for certain special risks, and the purchase of excess general liability coverage.

The City appropriates funds annually for the payment of claims liabilities, property losses, and any related expenses covered by its purchased insurance policies and self-insurance plans. In addition, \$650,000 of general fund equity has been designated to provide for any unforeseen future claims liabilities and related expenses that may not be fully covered by purchased insurance or annual budget appropriations. At year-end, an actuarial projection was performed to determine the amount of all outstanding claims liabilities, property losses, and any related expenses arising from incidents occurring on or before June 30, 2000, which resulted in the City recording an estimated total liability of \$13,962,000 as of June 30, 2000.

OTHER INFORMATION

Assessed value of all property for fiscal year 2000 totaled \$9.325 billion compared with \$9.054 billion for fiscal year 1999. This represents an increase of \$271 million, or 3 percent from the preceding year.

Current tax collections for real and personal property were 92.1 percent of the tax levy, as compared with 90.66 percent for last year. The percent of total collections (current and delinquent) to the current tax levy was 101.5 percent, as compared with 98.0 percent for last year.

The City traditionally estimates funds arising from annual budgetary operations that are derived either from added revenue or reduced spending. Such amounts, together with other resources, are appropriated and carried forward as funding available for operating expenditures of the following year. No such amounts were appropriated in the General Fund approved operating budgets for fiscal years 2001 and 2000, respectively.

All required principal and interest payments on outstanding bonds were met.

The City Council has adopted the following fiscal year 2001 balanced budgets:

General Fund	\$ 595,659,000
Water Utility Fund	69,939,045
Wastewater Utility Fund	14,447,365
Parking Facilities Fund	15,494,257
Internal Service Funds	6,766,712
Storm Water Special Revenue Fund	7,423,000
Community Development Block Grant Program	7,586,004
Capital Improvement Program	35,187,000

INDEPENDENT AUDIT

Section 99 of the City Charter requires that ". . . as soon as practicable after the close of each fiscal year an annual audit shall be made of all the accounts of the city offices . . . by certified public accountants selected by the council" This requirement has been complied with and the opinion of McGladrey & Pullen, LLP, Certified Public Accountants, is included in this report.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Norfolk, Virginia, for its comprehensive annual financial report for the fiscal year ended June 30, 1999. This was the fifteenth consecutive year that the City of Norfolk has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of only one year. We believe our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The preparation of this report is attributable to the staff of the Department of Finance, especially the City Controller Bureau staff, and the enterprise controllers and fund accountants of various City activities. Appreciation is expressed to all personnel who assisted in and contributed to its preparation. The City Controller and Accounting Manager are recognized for coordination of the above efforts. Appreciation is also extended to the accounting firm of McGladrey & Pullen, LLP, independent auditors, for the suggestions and recommendations they made during the preparation of this report.

Administration and monitoring of the City's finances are not highly visible governmental functions in the routine view of the public. Nevertheless, they are, as with a number of other functions, the means and the capability by which the City carries out public service responsibilities inherent to the purposes of municipal government. This report documents and presents the summary record of the past fiscal year in this essential public activity and charge.

Most significantly, there is acknowledgment of the positive attention of the City Council toward assurance that planning for the conduct of financial operations of the City is performed in a responsible and progressive manner. Such a constant policy position is necessary for sound municipal government.

Respectfully submitted,

Regina V.K. Williams
City Manager

Steven G. de Mik
Director of Finance

Audit opinion